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DEPT FOR WHA/CAR - JTILGHMAN
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TAGS: [ECON](#) [EINV](#) [PINR](#) [SOCI](#) [SNAR](#) [KCOR](#) [JM](#) [XL](#)
SUBJECT: JAMAICA: "CASH PLUS" UPDATE, GOJ GETTING WORRIED,
BANKS GETTING THREATENED

REF: A. KINGSTON 1641
[B](#). KINGSTON 1712
[C](#). KINGSTON 1748

Classified By: Charges d'Affaires, James T. Heg for reasons 1.4 (b and d)

Summary

[1](#)1. (C) The Government of Jamaica (GOJ) estimates there are two dozen alternative investment schemes in the country, although many are much smaller than Cash Plus and have different characteristics. Support for the schemes is driven by Jamaicans who feel they have been shut out from the services offered by traditional banks which only benefit wealthier clients. Interest paid on customer deposits is near five percent while interest rates on small business loans can be 20 percent or more per year. Lack of access to affordable credit, coupled with the fact that Jamaica's four biggest banks are making record profits, is fueling animosity towards the banks. Poorer Jamaicans are galvanized by the record 12 percent monthly "returns" being paid out by alternative investment schemes. Efforts by the GOJ to regulate the schemes and measures being taken by traditional banks to insulate themselves from potential losses if the schemes collapse are viewed with suspicion by participants in the scheme. Cash Plus clients who are late in receiving their monthly interest payments are blaming, and even threatening, bank officials. The GOJ recognizes the problem will only get worse as the schemes get larger and is therefore seeking to engage the owner of Cash Plus directly and to invigorate efforts to tax profits from the schemes.

----- Lack of Access to Credit Fuels Cash Plus and Resentment -----

[1](#)2. (C) When interest paid on bank deposits is about five percent, Jamaican investors turn to alternative investment schemes like Cash Plus which promise annual returns of 120 percent (reftel A). Some small investors/entrepreneurs who have accounts with traditional banks believe the banks are more interested in profits and catering to wealthier clients than providing credit services to small businesses. Samuel Coates, the Managing Director of Coates Logistics, a small freight forwarding and customs brokering service, told Emboff that alternative investment schemes appeal to average Jamaicans because they do not view traditional banks as a viable partner.

[1](#)3. (C) Coates said a person might have an account with one of

Jamaica's major banks for years receiving five percent interest on their money, but when this person applies for a business loan, the rates are 20 percent per annum or higher. Many loans also require applicants to have land as collateral, creating another obstacle to credit. Coates explained that for years, banks have been earning tremendous profits, but still make it difficult for entrepreneurs to obtain affordable capital. He added, the people have grown tired of it. The high rate of returns from schemes like Cash Plus cause unsophisticated investors to be even more suspicious of traditional banks who offer much lower returns.

This perceived ill treatment from banks is fueling the appeal of groups like Cash Plus as well as resentment against traditional lenders. (Note: the major banks in Jamaica, most of which are foreign owned, are securing record profits for the year, see reftel C).

Banks Protect Themselves, But Scheme Participants Are Suspicious

¶4. (C) Traditional banks recognize the risks of a scheme like Cash Plus and are taking steps to protect themselves. The banks are waiting for checks from Cash Plus to clear before paying out funds and are reporting Cash Plus transactions to the GOJ under provisions requiring suspicious activity reports (reftel B). In turn, Cash Plus officials claim that banks are afraid of the new competition and are trying to hinder Cash Plus' business success. In recent weeks Cash Plus clients received their monthly interest payments late. Cash Plus Vice President, Chris Golbourne, blamed the delays on the banks, saying they are slow to process its payments. On the day of a recent protest in support of Cash Plus (reftel B) employees of National Commercial Bank (NCB),

located near the protest site, were advised by management not to wear clothes identifying them as NCB staff. Renowned investment banker and Chairman of NCB, Michael Lee Chin, expressed concern to the U.S. Ambassador saying he is receiving "threats" from those who have the incorrect belief that he is responsible for clients of Cash Plus not receiving their money.

GOJ Says It Is Time To Do Something

¶5. (C) The Jamaican Ministry of National Security (MNS) told Emboff that Prime Minister Bruce Golding plans to meet with the CEO of Cash Plus, Carlos Hill soon as part of some pending GOJ intervention with the scheme. It is unclear if the GOJ intends to restrict operations of the scheme or if this is an initial step in bringing the scheme closer to being regulated. Mr. Hill has a criminal record from his time in the U.S., prior to being deported to Jamaica (reftel b). The MNS is seeking information from Post on Hill's criminal background, although a December 5th front page article of the Daily Observer newspaper details Hill's criminal history while he was in the United States. The Planning Institute of Jamaica (PIOJ) is also grappling with the situation but has yet to provide a solution. A PIOJ contact told Embstaff that internal PIOJ discussions have bogged down in emotions and speculation instead of taking a clear approach to study the situation. The PIOJ contact said it still does not have an accurate idea of the amount of funds and people involved in the schemes and it has yet to proscribe a policy position to deal with them. The PIOJ contact said it will be difficult to address the issue because there are rumors that a number of politicians, judges and private sector leaders may be involved in the schemes.

Not All Schemes Are The Same

¶6. (C) Although the GOJ has said there are at least two dozen alternative investment schemes, the nature and size of these

schemes varies. One of the schemes frequently referenced in the press is Olint, which focuses on currency exchange trading. Olint appeals to more sophisticated investors in Jamaica and has survived repeated runs on its assets by investors. The Managing Director of Olint is David Smith who recently launched the USD 1 million Olint philanthropic foundation in Jamaica. The event was attended by several government ministers and Prime Minister Michael Misick of the Turks and Caicos islands where Olint recently moved its headquarters. Although Olint appears to be operating legally in Jamaica due to regulatory loopholes, the GOJ is making efforts to better regulate currency traders.

If You Can,t Regulate Them...Tax Them

17. (SBU) The Financial Services Commission (FSC) announced at a public forum on November 29 that it has identified close to two dozen alternative investment schemes in Jamaica. The FSC reminded participants involved in the schemes that all profits are subject to tax. (Note: Jamaica has a notoriously low tax collection rate, estimates are that only 40-45 percent of taxes owed are actually paid.) Although the FSC has failed in its efforts to regulate alternative investment schemes under the Securities Act, it now seems to hope that it can at least bring participants into tax compliance. The FSC used the forum to correct a misconception that money earned in offshore accounts is not subject to Jamaican taxes, which are due March 15. The FSC Executive Director, Bryan Wynter, again warned investors of the risks involved in these schemes. Wynter said most of the schemes are unregistered, refuse to disclose what they own, and are not subject to regular financial audits. Wynter reminded the public that investors will not be compensated by the GOJ if they sustain losses from schemes that turn out to be frauds or scams.

COMMENT

18. (C) If the GOJ makes an aggressive move to shut down Cash Plus it is likely that Carlos Hill will blame the GOJ for any ensuing losses that result from a collapse of his scheme. Hill has handled public relations well over the past year by issuing public notices to the press to stave off criticism.

Given the increase in public coverage of Cash Plus in recent weeks, Hill must know some form of GOJ intervention is inevitable. If the scheme collapses it will create a ripple effect to other alternative investment schemes in the country and create a major political challenge for the relatively new Jamaican Labor Party-led government as it tries to explain to Jamaicans that it will not provide assistance to those who lost their savings. Given Hill's criminal history he may already be planning an exit from the scheme, although Post has no evidence to support this speculation.

HEG